

# North American Cultural Economics Workshop 2019, Fort Lauderdale

**Literature and Theatre: Creation and Pricing, Monday Nov. 25, 10:00–11:45**

“An Exploration into the Performing Arts and the Political Economy of Ticketing:  
The Case of Ticketmaster”

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# North American Cultural Economics Workshop 2019

“An Exploration into the Performing Arts and the Political Economy of Ticketing: The Case of Ticketmaster”

*Alternative title*

“An Exploration into the Performing Arts and the Political Economy of Ticketing: A Question of Language”

*Or better yet*

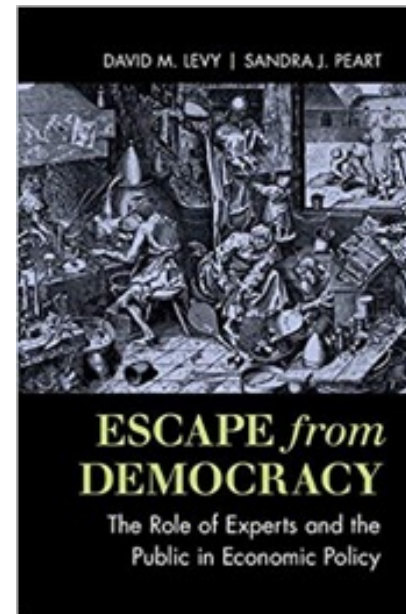
“An Exploration into the Performing Arts and the Political Economy of Ticketing”

Research is now less about industrial organization and more about heterodox method in cultural economics from the analytical lens of competition theory. We use Hayek on language as a basis for our critique.

# An Exploration into the Performing Arts and the Political Economy of Ticketing

Motivation and intent of research is to propose that regulatory humility (and creative destruction) will bring more value in the arts than arbitrary antitrust / competition policy interventions.

See for example Levy and Peart 2017



# An Exploration into the Performing Arts and the Political Economy of Ticketing

Hayek (1968, *The Confusion of Language in Political Thought; with some recommendations for remedying it*) separates two orders:

- 1) Negative-rule making or civil or commercial law (a catallactic order), and
- 2) Positive rule-making, or public law (an economic order)

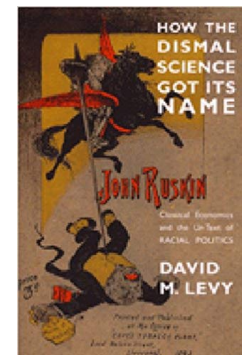
In an *economic order* society is ordered towards given ends (utilitarianism) and then guided towards these ends

In *catallactic order* individuals pursue their own ends, with the resultant spontaneous order more 'rewarding' (flourishing) than the planned economy, Adam Smith's "invisible hand".

# An Exploration into the Performing Arts and the Political Economy of Ticketing

“Spontaneous order is F.A. Hayek’s useful description of precisely what it is that economists have been trying to explain for two centuries” (Levy 2002, xiii).

David M. Levy 2002. *How the Dismal Science Got Its Name*



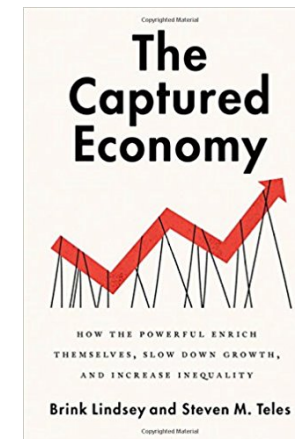
# An Exploration into the Performing Arts and the Political Economy of Ticketing

A *catallactic order* can better handle uncertainty and creative destruction ('endogenous technical change') because the ideal is if the *process* is 'fair' (a negative rights rule of law), then the outcome is 'fair'.

In an *economic order* 'fair' is determined by idealized *outcomes*, which then requires positive-law to correct 'unfair' outcomes. Who makes the positive law, and with what knowledge, is the exploratory question.

# An Exploration into the Performing Arts and the Political Economy of Ticketing

*The Captured Economy: How the Powerful Enrich Themselves, Slow Down Growth, and Increase Inequality* (Lindsey and Teles, Oxford, 2017) describes how political power and rent-seeking determine many 'economic' outcomes, however well-intentioned.



# An Exploration into the Performing Arts and the Political Economy of Ticketing

Two recent researches illustrate our catallactic versus economic approach

Andrew P. Vassallo 2017. "Can One (Ever) Accurately Define Markets?," *Journal of Competition Law & Economics* 13(2):261-280

James R. Rogers 2018. "Monopoly Isn't Always What We Think It Is," *Law & Liberty*



# An Exploration into the Performing Arts and the Political Economy of Ticketing

We use the work of two economists to create straw-people for our critique of orthodoxy in cultural economics.

Alan Krueger (2005, 2019) whose method precludes alternative music in 'industry' measurement and therefore limits itself in robustness, and who finds inequality in superstar effects when subsequent research shows otherwise

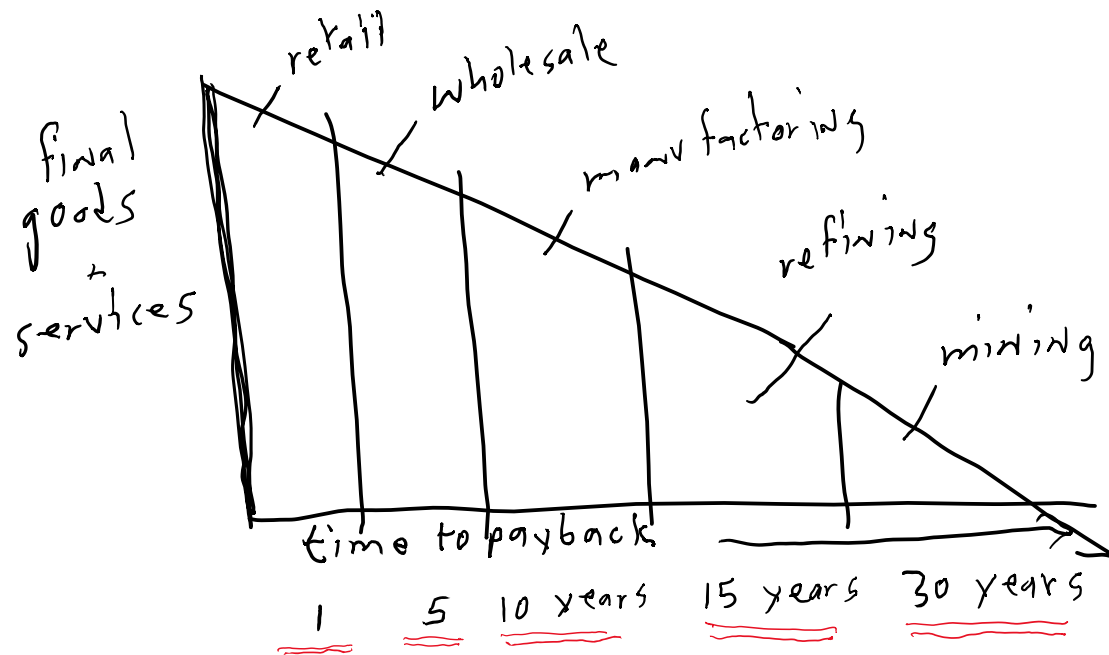
Pascal Courty (2014, 2019) in general supports a catallactic order yet for some reason calls for an outlawing of 'bots' and a monopolistic secondary market under a Fair Price Ticketing Curse

# An Exploration into the Performing Arts and the Political Economy of Ticketing

We introduce Austrian school stages-of-production (Capital Theory) to more fully understand the critique we make of orthodox ticketing economics.

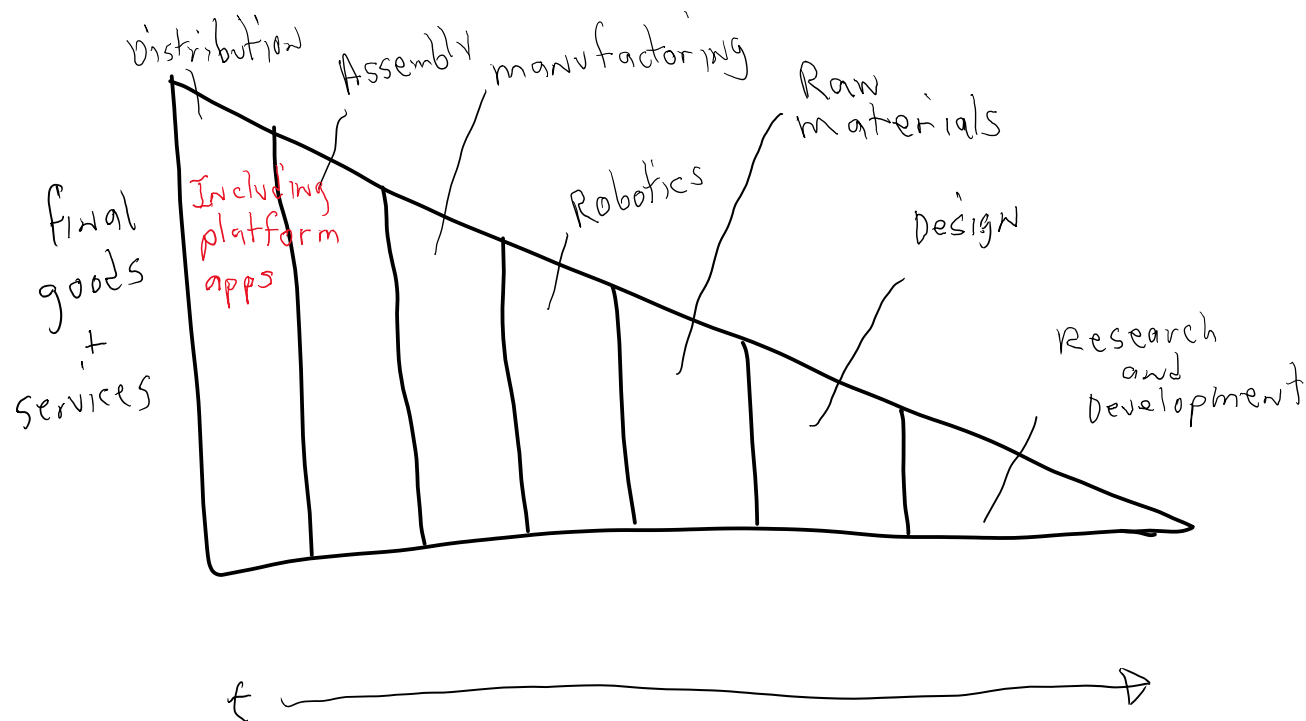
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This is a paraphrase of Hayek's original stages of production in 1933 (see Garrison 2001).

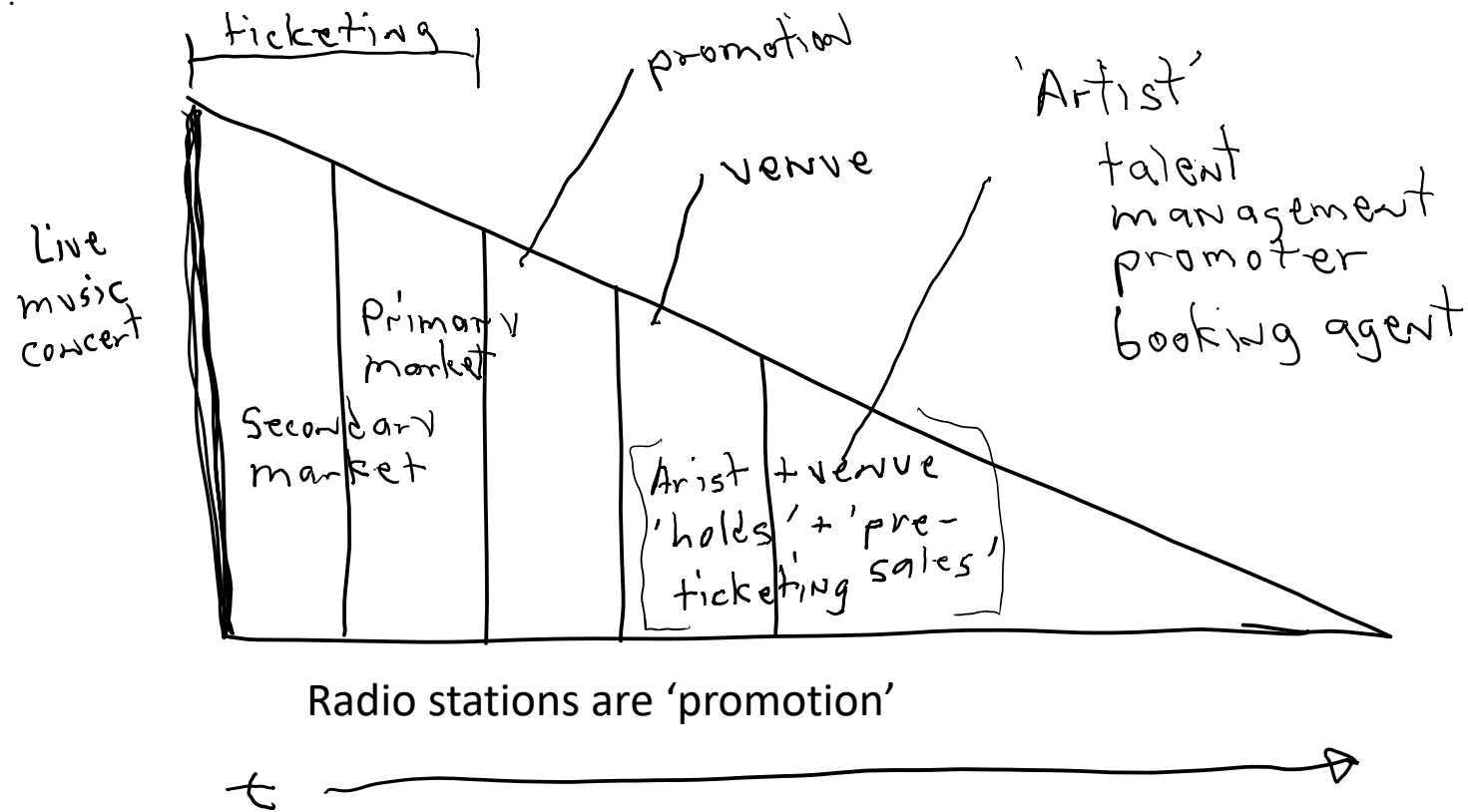


# An Exploration into the Performing Arts and the Political Economy of Ticketing

We can update these stages of production for today's 'new' economy



# An Exploration into the Performing Arts and the Political Economy of Ticketing



Note Bork's vertical integration 'paradox' and how risk is shared across the temporal stages of production in 'ticketing'

# An Exploration into the Performing Arts and the Political Economy of Ticketing

Krueger (2005) specifically chooses the data (and then the 'market') to be able to capture what he hopes to show. Kreuger chooses markets where Clear Channel Communication (the precursor to Live Nation / Ticketmaster) has radio stations in attempt to show that vertical integration brings market power.

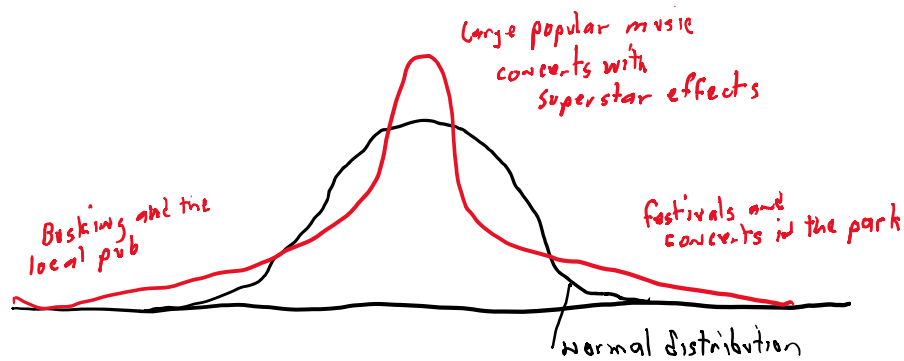
The market for live music are concerts “with with a capacity of at least 2,000 seats – because smaller concerts are unlikely to be promoted on the radio...” (24).

We show long-tail distribution and illustrate how any regulatory measurement is arbitrary (Vassallo 2017). The 'market' for live music is much larger than the data chosen by Kreuger (2005).

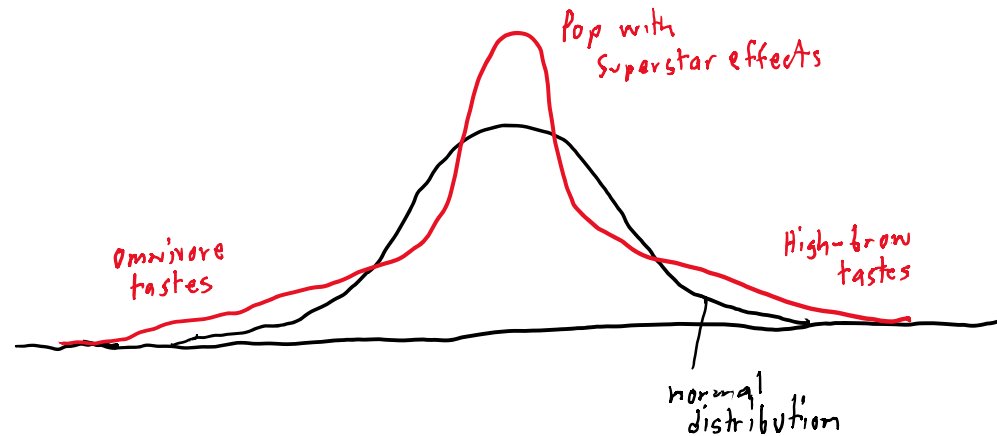
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Long-Tail Supply-Side

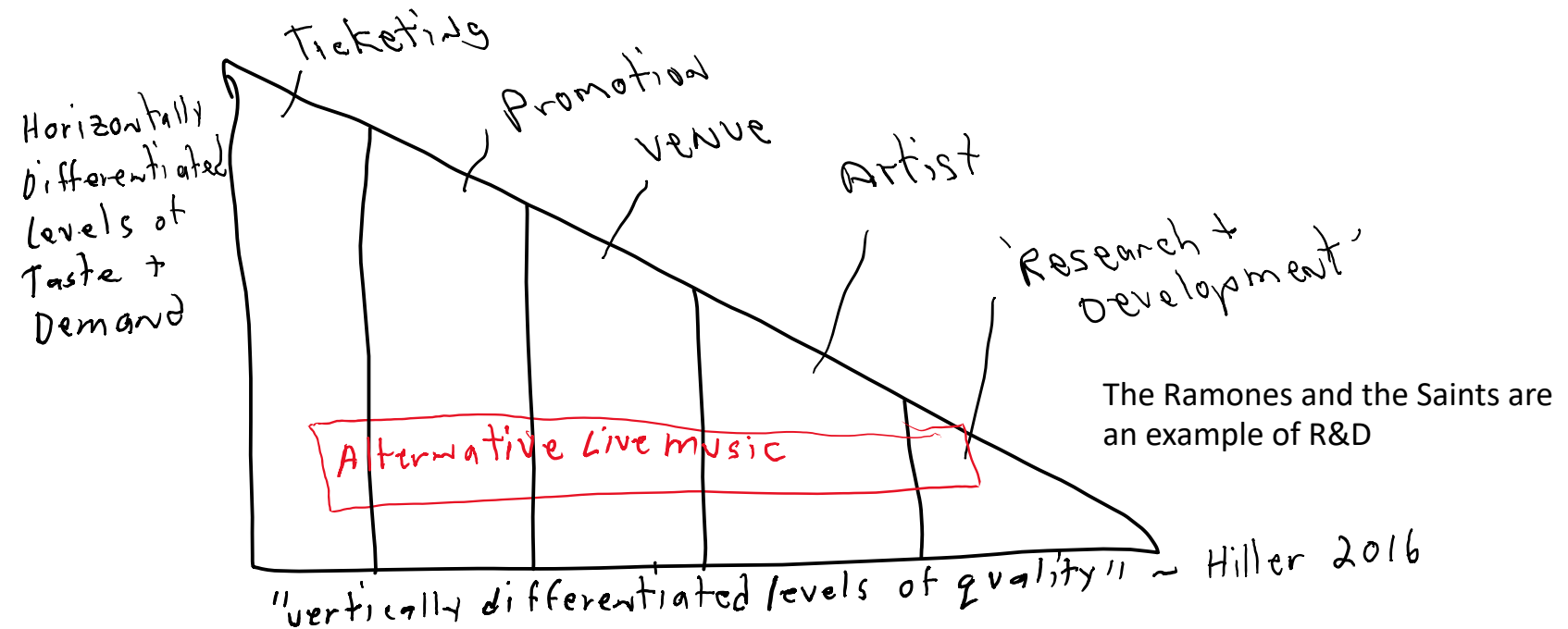
in the Stages-of-Production for Live Music



Long-Tail Demand-Side



# An Exploration into the Performing Arts and the Political Economy of Ticketing



Heterodox Approach to 'Measurement' of Live Event Stages-of-Production: 'Monopoly' is absent without barriers-to-entry (Rogers 2018). Measurement of 'markets' is arbitrary for regulatory purposes (Vassallo 2017).



# An Exploration into the Performing Arts and the Political Economy of Ticketing

Krueger 2019 *Rockonomics*

*No, I wasn't about to be inducted into the Hall of Fame. I'm not a musician and I can't even carry a tune. I'm an economics professor at Princeton. I was then Chairman of the President's Council of Economic Advisors. I had been invited to speak because I had the idea of using the music industry as a metaphor to draw parallels with the U.S. economy in particular, the financial struggles of middle-class families and the growing gap between the wealthy and everyone else. The key theme was that the U.S. job market had become a superstar, winner-take-all affair, much like the music industry, where a small number of top performers did fabulously well, while almost everyone else struggled to make ends meet (1).*

# An Exploration into the Performing Arts and the Political Economy of Ticketing

Krueger 2019 *Rockonomics*

Krueger (2019) maintains the same economic bias, the superstar effect exacerbated by the 'new economy' creating economy-wide inequality, as found in Krueger (2005).\*

Yet intervening long-tail research in cultural economics questions these findings.

\* Note political ramifications of these findings

# An Exploration into the Performing Arts and the Political Economy of Ticketing

Critique of the economic findings in Krueger 2019 *Rockonomics*

Champarnaud (2014) finds that superstar effects can flatten-out

Black et al. (2007) find

*In spite of the dominance of superstars every year of the 1997 to 2005 Pollstar data, the conventional wisdom based on the analysis of escalating ticket prices does not support the proposition that the rich are getting richer. If anything our data suggest the opposite – that those in the lower part of the tour revenues distribution are gaining relative to those at the top (200).*

# An Exploration into the Performing Arts and the Political Economy of Ticketing

## Conclusion

We argue for humility in regulation of the arts, and suggest approaching social structure as a 'catallaxy' rather than an 'economy'.

Catallactic thinking allows creative destruction and consumer sovereignty to determine Supply and Demand.

Within reason (fraud and negligence) 'easy' regulation may be better than entrepreneurial – destroying capture, not just in the arts but in the economy writ-large.

# An Exploration into the Performing Arts and the Political Economy of Ticketing

Thank you

